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5th April, 1960.COCOM Document No. 3938COORDINATING COMMITTEERECORD OF DISCUSSIONONTHE BUDGET AND FINANCES OF THE COORDINATING COMMITTEE28th March, 1960

Present: Belgium(Luxembourg), Canada, Denmark, France, Germany, Italy, Japan, Netherlands, Norway, United Kingdom, United States.

References: COCOM Docs. Nos. 1737, 3919, 3936, Sub-C(60)1.

1. The CHAIRMAN drew the Committee's attention to the Report by the Chairman of the Budget Sub-Committee (COCOM Sub-C(60)1). Before considering the particular financial problem with which the Committee was faced in view of its forthcoming change of premises, the Chairman invited the Chairman of the Budget Sub-Committee (Mr. R.M. CAZALET) to comment on his report. Lastly, he called the Committee's attention to a Memorandum submitted that day by the French Delegation concerning the latter's contribution to the Committee's budget (COCOM Doc. 3936).
2. The CHAIRMAN of the Budget Sub-Committee stated that he would comment both on his own report and on the abovementioned French Memorandum as and when appropriate. He explained that his report contained three annexes showing figures for the year 1959. Annex A was a statement of total expenditure covering both cash expenditure and contributions in kind. From the figures cited, it could be seen that the Committee, a small but efficient body, was run on very economical lines, the total amount spent in 1959 being only 41,000,000 old francs. The Chairman noted that the figures given for the French contribution were marked with an asterisk since they were based on an evaluation made in November 1958, and asked the French Delegation for confirmation of them. He referred briefly to Annex B, from which it would be seen that cash income and expenditure were evenly balanced with very little to spare. Annex C showed the pattern of contributions in kind and cash. It was on this basis that the Committee had worked efficiently for the past ten years, and any change of structure must be of material benefit to the Committee to be worthwhile.
3. Turning to the French Memorandum, the Chairman of the Budget Sub-Committee noted that his report replied to certain points raised therein in that it showed the pattern of expenditure. Some change would have to be made to meet any additional housing cost in the future, while possible alterations in staff might lead to a saving in the cash expenditure. He noted that the French Delegation were suggesting that all the Committee's operating costs, including rent, should be shared among Member Governments according to some agreed scale. Such a system would, he felt, involve certain difficulties in view of the disproportionate nature of the various contributions. Some countries loaned officials from their foreign services on a temporary basis, and the percentage thus contributed by them was dependent upon the rank and status of the official concerned. Adjustments were continually necessary in the case of countries which had borne a disproportionate share of the Committee's expenditure, such as had been the case with Belgium and Japan for instance. The obvious conclusion was that it would be difficult but, he thought, not impossible to establish a scale of percentages which would take account of all these factors. Speaking lastly of the rehousing of the Committee, the Chairman stated that since the new premises would certainly be more expensive, considerable economies

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would be necessary. It was the first time that the Committee had had to face such a radical change in its budgetary pattern. The yearly rental of the premises proposed in the Hotel Pierre 1er de Serbie totalled 57,600 new francs, exclusive of heating, lighting and other services. As against the present figure of 36,000 NF paid by the French Government and inclusive of heating and lighting, this would entail an extra 21,600 NF per annum plus all the additional costs. The only way to meet this situation was to economise on the Secretariat staff or to increase the contributions of Member Governments, although this last possibility might not perhaps be favourably received at this stage.

4. The CHAIRMAN of the Committee thanked the Chairman of the Budget Sub-Committee for his report and additional comments. He too shared the view that the Committee was run on very economical lines. Turning to the question of the forthcoming change of premises, he explained that, in his view, two issues were raised. Firstly, until such time as the general financial question had been resolved - and this seemed hardly possible before the 31st May - some temporary measures would have to be taken to meet the increased expenses to be incurred from the 1st June onwards. Secondly, once these temporary measures had been instituted, the Committee could, during that time, seek a solution to the general financial problem - a task which could hardly be completed under pressure before the 31st May. As regards the temporary problem, the Chairman suggested either that France and possibly other member countries should share the extra expenses for a few months, until the end of 1960 for instance, or that France and/or other member countries should advance this same amount during the said period and the Committee would make the necessary adjustments on the basis of whatever financial agreements had been reached by December 1960. As for the general problem, the Chairman himself could foresee three possible solutions:

- A. The system would remain unchanged, France deciding upon its own monthly cash contribution and the remaining expenses, if any, being shared among other countries. The countries asked to pay more, for example, might be those whose contribution was below that paid to N.A.T.O. in terms of percentage. Nothing would be asked from countries paying more than their N.A.T.O. quota.
- B. Contributions would still be made in cash and in kind as at present, but France would pay a cash contribution based on a fixed percentage such as that paid to N.A.T.O., and at the end of the year differences would be adjusted, some countries paying and others receiving. In this case the Secretariat might have to engage an accountant.
- C. The whole system would be reorganised, as advocated by France, with each country contributing in cash on the basis of some scale like the N.A.T.O. one. Some financial and juridical problems would arise here. First, the Committee would have to provide for complete accounting and control services to regulate its income, contracts, purchases, inventories, etc. Second, the status of the staff would have to be determined as regards engagement, facilities, security, liquidation and indemnities. At present the staff was engaged according to the rules of the United States Department of State, or on empirical terms by the Chairman, and employees engaged on these latter terms had no guarantees whatsoever. Third, the juridical status of the Chairman and any other foreign diplomat engaged on the Secretariat would have to be determined. This would involve the question of the juridical status of the whole organisation.

5. The GERMAN Delegate also thanked the Chairman of the Budget Sub-Committee for his clear and most enlightening report. He fully agreed that the system adopted for the past ten years had made it possible to run the Committee cheaply and efficiently, especially when compared with other international organisations. While it might be true that the staff was not kept to the bare minimum necessary during the slackest periods, there was no doubt that it was far from the maximum necessary during periods of peak activity. Turning to the

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Chairman's suggestions for the future, the Delegate noted that a rough estimate of the extra expenses involved would total some 60,000 NF per annum, i.e. about 15% of the Committee's yearly expenditure. In view of the fact that the cost of living had risen considerably over the past ten years, he hoped that Governments might be prepared to share this increase if necessary. From the foregoing, it was evident that he favoured solution A as proposed by the Chairman, since the other suggestions would entail complete reorganisation and extra expenses. Moreover, in view of the comparatively small amount involved, he felt that it should be possible to arrive at a solution easily and rapidly. If none had been found before the 31st May, however, it would be necessary to take some transitional measures. As for the French Memorandum, the Delegate was glad to see that the French Delegation had confirmed their willingness to continue to pay an adequate contribution. He believed that COCOM Sub-C(60)1 replied to many of the points raised by the French Delegate. On the question of establishing some scale of percentages, he noted that the Committee would be ready to study any proposals brought before it.

6. The FRENCH Delegate began by thanking the Chairman of the Budget Sub-Committee for his concise report, which clearly showed that the Coordinating Committee's expenditure was low without its efficiency being in any way impaired. The financial system used for nearly ten years had produced no major drawbacks, but the Delegate believed that the rational changes he had been instructed to propose could but be beneficial to the structure of the Committee and contribute to its efficiency. It seemed more logical to the French authorities that the total expenditure, as shown in the budget report just submitted, should be shared among Member Governments according to some agreed scale, rather than to an empirical method whereby some countries paid the rent, others the office equipment, others certain members of the staff, etc... It was not for him at this stage to go further into the advantages of a normal procedure, adopted by all international organisations.

7. The Delegate went on to explain that, of course, the Chairman, funds assisted by the Budget Sub-Committee, would continue as in the past to put the contributed to the best possible use to ensure the smooth running of the Committee. Contrary to what had previously been said, he did not think that the system proposed by his Delegation would incur additional expense for the Committee:

- (a) It was not the purchase of paper or light office equipment, nor the paying of the comparatively low expenses incurred considering the number of persons on the Committee, which would reasonably make a full-time accountant necessary. A member of the Secretariat might assure this duty in addition to his regular work. If the need arose, the accounts might be checked each year and a statement drawn up by a chartered accountant engaged for a few days for that purpose.
- (b) Moreover, the staff not paid by the United States Department of State were engaged on a contractual basis by the Chairman. The staff changed very infrequently. There would seem to be no problem in this respect, since more than half the Secretariat had been engaged in this manner.
- (c) If it were true that the changing of the contracts of the persons employed by the United States Department of State would be a relatively minor problem since these persons would be re-engaged immediately under the same conditions by the Coordinating Committee, it would be for the United States authorities, their present employer, to find the solution.
- (d) Finally, if it proved too difficult for the Chairman or other Secretariat members having diplomatic status to be remunerated by the Committee, it would always be possible to evolve some system by which these persons would continue to receive payment from their own countries, the sums paid being charged to the percentage contributed yearly by such countries.

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8. From the practical point of view, the Delegate explained that the whole financial picture had changed since, for the first time in its history, the Committee was to be housed on private premises. The French authorities would now have to pay a cash contribution which must appear in the national budget as a contribution to an international organisation, and this was why they had looked into the matter, and had suggested the establishment of a fixed scale of percentages. Replying to the question from the Chairman of the Budget Sub-Committee in paragraph 2 above, the Delegate confirmed that the figure of 3,600,000 old francs could be taken as valid for the 1959 rent also. In conclusion he undertook to report the views expressed to his authorities, and was prepared to discuss any other suggestion put forward.

9. The UNITED KINGDOM Delegate thanked his French colleague for giving the reasons underlying the French authorities' desire to establish a more formal system of cash payments on an agreed scale. The rehousing of the Committee on private premises might call for some change in the budgetary system, on which point it would be advisable to seek advice from Governments. He himself had hoped that the change of premises would not have produced any substantial difference in the Committee's finances.

10. A lengthy exchange of views ensued on the question of the legal status of the Committee and its Chairman. The ITALIAN Delegate believed that, before making any change in the budgetary pattern, and especially in the scale of national contributions, it was necessary to state the issue more clearly and define the juridical nature of the Committee since the financial problem was, in his view, conditioned to a very large extent by this more general question. There was no doubt that the Committee had no international legal personality like other international organisations; it was rather in the nature of a permanent diplomatic conference whose Chairman and executive officers all belonged to national diplomatic services and had always been administered by their respective authorities. As a result, the contributions of certain countries like Italy, Germany and the United Kingdom were already fixed by the very fact that they provided officials from their own diplomatic services to run the Committee. The contributions of these countries would therefore always remain fixed as long as their officials continued to serve on the Committee as Chairman or one of his executive assistants. It was for this reason that the Delegate believed it would be extremely difficult to set up a different scale at least insofar as concerned those countries which had placed officials at the Committee's disposal.

11. The Delegate then turned to the more particular aspect of the problem. He first thanked the Chairman of the Budget Sub-Committee for his very clear and concise report, which afforded Member Governments an exact picture of the Committee's financial situation. He wished to draw the attention of delegates to the fact that, speaking of national contributions in terms of percentage, it could be seen that 9 out of 14 member countries had contributed about 14% of the Committee's budget, while the other 5 had, for their part, contributed the remaining 86%. It would thus be advisable and logical to study the three alternative solutions suggested by the Chairman taking into account that the contributions of certain countries - in this last mentioned group - were of a pre-arranged nature and could not easily be changed. In conclusion the Delegate stated that he would seek specific instructions from his authorities on the overall problem he had just evoked.

12. The FRENCH Delegate stated that, in the light of the views expressed and in order not to press the Committee into adopting a new budgetary system in the short time remaining before its removal, his authorities would be willing to contribute in cash the amount shown under Item 2 of Annex A to COCOM Sub-C(60)1, i.e. 36,000 NF per annum, until the end of 1960. They would also continue to pay the interpreter of the Committee. Furthermore the French authorities would be willing to ^{pay} the rent of the new premises on a reasonable basis, such as for instance that envisaged for the offices proposed in the Hotel Pierre Ier de Serbie. The Delegate reminded the Committee that, if the French authorities were now prepared to make a considerable financial effort, it was because they were convinced that the system they proposed was a logical and equitable one. In conclusion, he noted that it was in their capacity as the

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host country that the French Government would be ready, in keeping with the views expressed in their Memorandum, to take charge of the entire rent of the new premises of the Committee.

13. The UNITED STATES Delegate began by thanking the Chairman of the Budget Sub-Committee for his report. He recalled that the Committee had once decided to have twice-yearly budget reports (COCOM 1737) and felt this would be an excellent practice to resume. He had no instructions as to the question under discussion, but he saw much merit in the French proposal from the standpoint of principle and he recognised the practical problem the French Government would face in making their contribution for premises once the Committee moved to premises not owned by the French Government. On the other hand, the organisation had worked efficiently and economically with its present informal status and financial arrangements and any basic change in the budgetary system would take time to work out, whereas the Committee had a pressing practical problem. It was to be hoped that the question of principle would not deter the seeking of a speedy solution to the practical problem of rehousing the Committee. The Delegate believed that the last French statements had greatly contributed to such a solution. He observed that the budgetary problem might perhaps be approached less in terms of the form of contributions than in terms of the equity of contributions, regardless of their nature.

14. The NORWEGIAN Delegate stated that the Committee was faced with two important issues: the finding of premises and financing the extra costs involved. In view of the latest French statement, a solution to the second problem was in sight. He felt, however, that the Committee should have an opportunity of studying the French proposal in writing before deciding how to proceed further.

15. The CHAIRMAN thanked the French Delegation for their very helpful suggestions. It was agreed that time should be allowed to study the latter and that discussion should be resumed on the 28th April. As to the invitation from the French authorities to inspect the suggested premises in the Hotel Pierre ler de Serbie, it was agreed that the Chairman and the Budget Sub-Committee should visit these premises on the 29th March, and report on their suitability.

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